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March 29, 2007

VIA ELECTRONIC FILING

Ms. Marlene Dortch
Secretary
Federal Communications Commission
The Portals
445 12th Street SW
Washington DC 20554

Re: NOTICE OF EX-PARTE COMMUNICATIONS

In the Matter of Federal-State Joint Board on Universal Service, High Cost Universal Service Support, WC Docket No. 05-337; In the Matter of Federal- State Joint Board on Universal Service, CC Docket No. 96-45

Dear Ms. Dortch:

On March 28, 2007, Joel Lubin, Mary Henze, Ellen Blackler, Christopher Heimann, and I from AT&T met with Renee Crittendon, Jeremy Marcus, Katie King, Jennifer McKee, Gary Seigel, Ted Burmeister, and Jennifer Prime from the FCC's Wireline Competition Bureau to discuss AT&T's proposal to stabilize the Universal Service Fund, filed electronically on March 22, 2007 in both of the above referenced proceedings. The purpose of this meeting was to discuss the urgent need for comprehensive reform of the Commission's high cost universal service mechanisms and AT&T's proposal that long-term reform should begin by getting control over the growth of the high cost fund. The positions expressed by AT&T during this meeting are consistent with AT&T's public filings in these proceedings.

In accordance with section 1.1206 of the Commission's rules, a copy of this notice and the attached are being filed via the Commission's Electronic Comments Filing System in each of the above referenced dockets.

Should you have any questions about any of the aforementioned or the attached, please feel free to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "J. M. Tan".

attachment

Cc: (via electronic mail)
Renee Crittendon
Jeremy Marcus
Katie King
Jennifer McKee
Gary Seigel
Ted Burmeister
Jennifer Prime



at&t

Stabilizing the Federal Universal Service Fund

A Necessary First Step Toward Long Term Reform

March 2007

Universal Service Reform: Next Steps

- **AT&T *enthusiastically* supports the guarantee of affordable, high quality service to all consumers.**
 - AT&T remains committed to serving all its customers, wherever they live.
 - With proper support, this commitment could — and should — include deployment of next-generation services to high cost areas.
- **The challenge is how to deliver ubiquitous, affordably priced broadband services while in the midst of a sea change.**
- **AT&T proposes the following solution as the path to long term universal service reform.**
 - Stabilize the current federal high cost fund to provide short term relief.
 - Move to a telephone numbers/connections-based contribution methodology.
 - Reform intercarrier compensation to preserve the availability of universal service support during the transition to an all-IP environment.
 - Reform federal high cost funding mechanisms to ensure that one provider offers affordable, high quality next-generation services in high cost areas.

The Need for Reform

Immediate Reform

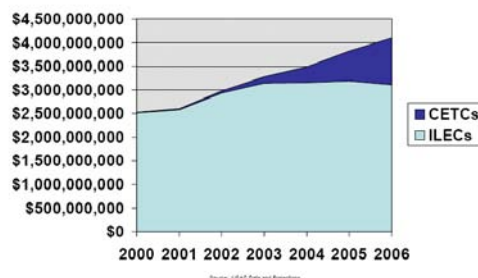
Stop the rate of growth in the High Cost Fund at its source: supporting multiple ETCs in the same service area.

Long Term Reform

Make fundamental reforms to universal service to support ubiquitous deployment of broadband networks.

- Many rural areas are not supported
 - For instance, 4 million rural access lines in legacy SBC territory receive no federal high cost support.
- Inefficient to support multiple ETCs.
- Supported Services are outdated.
- Should mobility be supported?
- Current mechanisms are not compatible with transition to broadband networks.

Total High-Cost Support Fund Payments – ILECs and CETCs



Study Areas with Multiple CETCs

Study Areas	CETCs
441	2 or 3
108	4 or 5
36	6 or 7
4	8 or 9
8	10 or more

Four Elements of AT&T Interim Stabilization Plan

AT&T's plan can be done quickly, is easily operationalized and will REDUCE the size of the USF. We estimate the contribution factor could be reduced to 11.4% in the next quarter, all things being equal.

1. Moratorium on approval of new ETCs

- Will immediately halt a significant cause of growth to the fund.
- Will have no affect on consumers' access to supported services in supported areas.

2. Freeze on supported lines for wireless ETCs

- Will immediately halt another significant cause of growth.

Four Elements of AT&T Interim Stabilization Plan

3. Reduce by 25% the support designed to replace access charges for carriers not traditionally entitled to charge tariffed access rates.

- Will REDUCE the size of the USF by approximately \$125M

4. Correct the sizing of IAS

- Will REDUCE the size of the USF by approximately \$75M

AT&T's Plan Can be Done Quickly

AT&T's Interim Stabilization Plan can be implemented virtually immediately - providing relief by next quarter.

- No comprehensive new rules will need to be developed and approved
- No new processes will have to be developed by USAC

- **Moratorium on ETC approvals can begin upon the effective date of an FCC Order.**

AT&T's Plan Can be Done Quickly

- **Line Freeze can be easily executed by Filers and USAC with little process change and no change to FCC Forms.**
 - ETCs would continue to file line counts as they do today so that per-line support amounts can be calculated. Once per-line amounts are established, USAC would simply use the line count filed immediately prior to the Order to calculate actual support.
- **25% reduction in access related support can be executed by USAC simply by calculating support based on frozen line count and reducing by 25%.**
 - No complex calculations will be required.
- **Correcting the size of the IAS Fund can be done simply by clarifying the correct FCC data source to be used in the calculation.**